

Report
of the
Examination of
Ixonía Mutual Insurance Company
Ixonía, Wisconsin
As of December 31, 2004

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Jim Doyle, Governor
Jorge Gomez, Commissioner

Wisconsin.gov

September 23, 2005

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Honorable Jorge Gomez
Commissioner of Insurance
State of Wisconsin
125 South Webster Street
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Commissioner:

In accordance with your instructions, an examination has been performed as of
December 31, 2004, of the affairs and financial condition of:

IXONIA MUTUAL INSURANCE COMPANY
Ixonía, Wisconsin

and the following report thereon is respectfully submitted:

I. INTRODUCTION

The previous examination of Ixonía Mutual Insurance Company (hereinafter also the company or Ixonía) was made in 2001 as of December 31, 2000. The current examination covered the intervening time period ending December 31, 2004, and included a review of such subsequent transactions deemed essential to complete this examination.

The "Summary of Examination Results" contains elaboration on all areas of the company's operations. Special attention was given to the action taken by the company to satisfy the recommendations and comments made in the previous examination report.

The company was originally organized as a town mutual insurance company on November 6, 1875, under the provisions of the then existing Wisconsin Statutes. The original name of the company was the Ixonía Mutual Fire Insurance Company. Subsequent amendments to the company's articles and bylaws changed the company's name to that presently used.

During March of 2003, the company's articles of incorporation were amended to reflect the company's change in status to a limited assessable mutual. There were no amendments to the bylaws during the examination period.

The company is currently licensed to write property, including windstorm and hail and nonproperty insurance. The company is currently licensed to write business in the following counties: Columbia, Dane, Dodge, Jefferson, Rock, Walworth, Washington and Waukesha.

A review was made of the policy and application forms currently used by the company. The company issues an approved policy with or without endorsements for terms of one year with premiums payable on the advance premium basis. Installment fees charged to policyholders are retained by the company.

Business of the company is acquired through 48 agents, one of whom is a director of the company. Agents are presently compensated for their services as follows:

Type of Policy	Compensation
All Lines	13%

Agents do not have authority to adjust losses. Losses are adjusted by the company manager who receives reimbursement for mileage and expenses. The salary of the company manager includes compensation for adjusting losses. When needed, director adjusters and the company inspector receive \$14.50 per hour for each loss adjusted plus mileage and expenses. Mileage is reimbursable at \$0.485 per mile. All losses are reviewed by the adjustment committee.

Policyholders may participate in the management and control of the company by attending and voting at all annual or special meetings of the members. No member may vote by proxy. The annual meeting of the company for the election of directors and special meetings of the company are held in accordance with its articles of incorporation.

Board of Directors

The board of directors consists of seven members divided into three classes. One class is elected at each annual meeting for a term of three years. Vacancies on the board may be filled by the directors for the interim to the next annual meeting when a director shall be chosen for the unexpired term.

The current board of directors consists of the following policyholders of the company:

Name	Principal Occupation	Residence	Expiry
Leland J. Christian	Farmer	Oconomowoc, WI	2008
Marvin G. Hesse	General Laborer	Lake Mills, WI	2007
Ronald P. Mallow	Farmer	Oconomowoc, WI	2006
Howard C. Wiedenhoeft*	Manager Ixonia/Agent	Watertown, WI	2008
Daryl J. Pernat	Farmer	Oconomowoc, WI	2006
Donald P. Reese	Carpenter/Self-Employed	Watertown, WI	2007
Robert H. Stargard	Retired	Oconomowoc, WI	2006

Directors who are also agents are identified with an asterisk.

Members of the board currently receive \$60.00 for each meeting attended. Members receive \$100.00 per day for educational or all day meetings plus expenses and mileage reimbursable at \$0.485 per mile.

Officers

Officers are elected by the board of directors from among its members and hold office for one year or until their successors are duly elected and qualified. Officers serving at the present time are as follows:

Name	Office	2004 Compensation*
Leland J. Christian	President	\$ 2,720
Ronald P. Mallow	Vice-President	1,120
Howard C. Wiedenhoeft*	Secretary / Treasurer	59,200

* Reported compensation is the total compensation paid by the insurer for the year and includes salary, commissions, director's fees and rental income as applicable.

Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. The committees at the present time are as follows:

Executive Committee

Leland J. Christian, Chair
 Ronald P. Mallow
 Howard C. Wiedenhoeft

Internal Operations Committee

Leland J. Christian, Chair
 Ronald P. Mallow
 Daryl J. Pernat

Underwriting/Claims Committee

Leland J. Christian, Chair
 Marvin G. Hesse
 Ronald P. Mallow
 Daryl J. Pernat
 Donald P. Reese
 Robert H. Stargard
 Howard C. Wiedenhoeft

Investment Committee

Leland J. Christian, Chair
 Robert H. Stargard
 Howard C. Wiedenhoeft

Growth of Company

The growth of the company since the previous examination as compiled from its filed annual statements was as follows:

Year	Net Premiums Earned	Policies In Force	Net Income	Admitted Assets	Policyholders' Surplus
2004	\$567,168	1,313	\$ (4,053)	\$2,978,677	\$2,486,082
2003	510,599	1,305	(10,756)	2,944,726	2,474,837
2002	464,384	1,290	39,138	2,899,924	2,370,367
2001	433,703	1,122	136,894	2,783,303	2,453,992
2000	425,770	1,087	175,712	2,696,915	2,396,498

The ratios of gross and net premiums written to surplus as regards policyholders since the previous examination were as follows:

Year	Gross Premiums Written	Net Premiums Written	Ending Surplus	Writings Net	Ratios Gross
2004	\$912,948	\$604,234	\$2,486,082	24%	37%
2003	841,005	554,621	2,474,837	22	34
2002	760,484	511,131	2,370,367	22	32
2001	654,332	442,669	2,453,992	18	27
2000	643,134	432,815	2,396,498	18	27

For the same period, the company's operating ratios were as follows:

Year	Net Losses and LAE Incurred	Other Underwriting Expenses Incurred	Net Earned Premiums	Loss Ratio	Expense Ratio	Composite Ratio
2004	\$458,818	\$191,060	\$567,168	81%	32%	113%
2003	425,698	169,465	510,599	83	31	114
2002	306,347	191,634	464,384	66	37	103
2001	215,335	161,114	433,703	50	36	86
2000	191,352	159,099	425,770	45	37	82

The company has experienced growth since the last examination. Assets increased 10% and policyholders' surplus increased 4%. The company's gross premiums written increased 42%, while net premiums written have increased 40%. The increase in premiums written is due to a combination of rate increases and an increase in the policy count. The company's loss ratio has increased significantly over the past three years which has led to three consecutive years of underwriting losses. The company attributes the increased loss ratio to a few large homeowner claims due to fire and water damage. The company has been reevaluating its homeowner's market to prevent recurrence of the problems that have been identified over the past few years.

II. REINSURANCE

The examiners' review of the company's reinsurance portfolio revealed there is currently one ceding treaty. The treaty contained a proper insolvency clause and complied with s. Ins 13.09 (3), Wis. Adm. Code, concerning maximum wind loss. Company retentions of risk complied with s. Ins 13.06, Wis. Adm. Code.

Reinsurer:	Grinnell Mutual Reinsurance Company
Effective date:	January 1, 2005
Termination provisions:	As of any December 31 by either party giving 90 days' prior written notice

The coverage provided under this treaty are summarized as follows:

- | | |
|----------------------|---|
| Type of contract: | Aggregate Excess of Loss |
| Lines reinsured: | All property lines written by the company |
| Company's retention: | The retention is based on the ten-year average fire loss ratio plus a retention factor, which may be varied by the company. The current retention is \$777,069. |
| Coverage: | 100% of the excess of the calculated retention, subject to specified limits by structure type |
| Reinsurance premium: | \$0.0238 monthly rate (annual \$0.2862) per \$1,000 of adjusted gross fire risk in force |
- | | |
|--|--|
| Type of contract: | Facultative Excess |
| Lines reinsured and coverage provided: | These terms are determined on a per risk basis with limits set forth in the contract |
- | | |
|----------------------|--|
| Type of contract: | First Occurrence of Loss Excess |
| Lines reinsured: | All property lines written by the company |
| Company's retention: | \$100,000 |
| Coverage: | 100% of the excess, subject to specified limits by type of facilities |
| Reinsurance premium: | \$0.0081 monthly rate (annual \$0.0972) per 1,000 of adjusted gross fire risk in force |

4. Type of contract: Individual Occurrence of Loss
- Lines reinsured: All property lines written by the company
- Company's retention: \$300,000
- Coverage: 100% of the excess, subject to specified limits by type of facilities
- Reinsurance premium: \$0.0051 monthly rate (annual \$0.0606) per 1,000 of adjusted gross fire risk in force
5. Type of contract: Comprehensive Personal Liability Reinsurance
- Lines reinsured: All liability lines written by the company
- Company's retention: None
- Coverage: 100% of the liability
- Reinsurance premium: 100% of the direct premium charged
- Ceding commission: 20% ceded premium
- Contingent commission: 5% to 30% of net profits based on net premium written volume

III. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported to the Commissioner of Insurance in the December 31, 2004, annual statement.

Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Policyholders' Surplus."

Ixonia Mutual Insurance Company
Statement of Assets and Liabilities
As of December 31, 2004

Assets	Ledger	Not Admitted	Net Admitted
Cash	\$ 180,902	\$	\$ 180,902
Bonds	2,110,033		2,110,033
Common stocks	356,393		356,393
Real estate	135,095		135,095
Premiums, agents' balances and installments:			
In course of collection	1,323		1,323
Deferred and not yet due	123,830		123,830
Investment income accrued	29,558		29,558
Reinsurance recoverable on paid losses and lae	36,106		36,106
Electronic data processing equipment	5,437		5,437
Net deferred tax asset	17,000	\$17,000	
Furniture and fixtures	<u>4,397</u>	<u>4,397</u>	<u></u>
Totals	<u>\$3,000,074</u>	<u>\$21,397</u>	<u>\$2,978,677</u>

Liabilities and Surplus

Net unpaid losses	\$ 17,060
Commissions payable	32,474
Fire department dues payable	478
Unearned premiums	394,952
Reinsurance payable	22,997
Advance Premiums	<u>24,634</u>
Total Liabilities	492,595
Policyholders' surplus	<u>2,486,082</u>
Total Liabilities and Surplus	<u>\$2,978,677</u>

Ixonia Mutual Insurance Company
Statement of Operations
For the Year 2004

Net premiums and assessments earned		\$567,168
Deduct:		
Net losses incurred	\$377,981	
Net loss adjustment expenses incurred	80,837	
Other underwriting expenses incurred	<u>191,060</u>	
Total losses and expenses incurred		<u>649,878</u>
Net underwriting gain (loss)		(82,710)
Net investment income:		
Net investment income earned	73,290	
Net realized capital gains	<u>5,822</u>	
Total investment gain (loss)		79,112
Other income (expense):		
Miscellaneous Income		<u>6,665</u>
Net income (loss) before federal income taxes		3,067
Federal income taxes incurred		<u>7,120</u>
Net Income (Loss)		<u>\$ (4,053)</u>

Ixonia Mutual Insurance Company
Reconciliation and Analysis of Surplus as Regards Policyholders
For the Four-Year Period Ending December 31, 2004

The following schedule is a reconciliation of surplus as regards policyholders during the period under examination as reported by the company in its filed annual statements:

	2004	2003	2002	2001
Surplus, beginning of year	\$2,474,837	\$2,370,367	\$2,453,992	\$2,396,498
Net income	(4,053)	(10,756)	39,138	136,894
Net unrealized capital gains or (losses)	5,820	76,854	(81,392)	(79,835)
Change in non-admitted assets	9,478	38,372	(41,371)	(26,725)
Change in net deferred income tax	<u> </u>	<u> </u>	<u> </u>	<u>27,160</u>
Surplus, end of year	\$2,486,082	\$2,474,837	\$2,370,367	\$2,453,992

Reconciliation of Policyholders' Surplus

The examination resulted in no adjustments to policyholders' surplus. The amount reported by the company as of December 31, 2004, is accepted.

IV. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

Comments and recommendations contained in the last examination report and the action taken on them by the company are as follows:

1. Investments—It is recommended that the company review the classification of its investments and properly report its Type 1 position in accordance with s. Ins 6.20 (6), Wis. Adm. Code.

Action—Compliance

2. Investments—It is recommended that the company report bond ratings as required by the SVO manual and maintain records indicating the NRSRO that the bond was rated by and the rating.

Action—Compliance

3. Premiums—It is recommended that the company separate deferred premiums from the in course of collection as stated in the NAIC Annual Statement Instructions for Property and Casualty Insurers on all future annual statements.

Action—Compliance

Current Examination Results

Corporate Records

The minutes of the annual meetings of policyholders and meetings of the board of directors and committees thereof were reviewed for the period under examination and also for the subsequent period.

Biographical data relating to company officers and directors have been reported in accordance with the provisions of s. Ins 6.52, Wis. Adm. Code.

The company has executed formal written agreements with its agents. The contracts include language indicating the agent will represent the company's interests "in good faith."

Conflict of Interest

In accordance with a directive of the Commissioner of Insurance, each company is required to establish a procedure for the disclosure to its board of directors of any material interest or affiliation on the part of its officers, directors, or key employees which conflicts or is likely to conflict with the official duties of such person. A part of this procedure is the annual completion of a conflict of interest questionnaire by the appropriate persons. The company has adopted such a procedure for disclosing potential conflicts of interest. Conflict of interest questionnaires were reviewed for the period under examination with two potential conflicts being noted. The secretary/ treasurer (Howard Wiedenhoeft) is the co-owner and an agent for Ixonia Insurance Agency, LLC; and the office manager (Lois Wiedenhoeft) is co-owner of the Ixonia Insurance Agency, LLC. Ixonia Insurance Agency writes approximately 36% of the company's direct premium. Ixonia Insurance Agency, as with all other agencies that write for the company, writes for Grinnell Mutual Insurance Company and places crop and hail insurance through Rain and Hail Insurance Services, Inc.

Fidelity Bond and Other Insurance

The company is afforded coverage under the terms of the following bonds or contracts and has complied with s. Ins 13.05 (6), Wis. Adm. Code, which sets forth the minimum requirements for fidelity bond coverage:

Type of Coverage	Coverage Limits
Fidelity Bond	\$ 250,000
Worker's Compensation	
Employee injury	Statutory
Employee liability	
Each accident	100,000
Each employee	100,000
Policy limit	500,000
Property Coverage	
Commercial structure	180,186
Personal property	50,000
Liability Coverage	
Business liability per occurrence	1,000,000
Medical expenses per person	5,000
Fire legal liability per occurrence	50,000
Professional Liability	
Limit per claim	3,000,000
Aggregate limit	3,000,000
Directors and Officers Liability	
Limit per claim	3,000,000
Aggregate limit	3,000,000

Underwriting

The company has a written underwriting guide. The guide covers all the lines of business that the company is presently writing.

The company has a formal inspection procedure for both new and renewal business, which the examination deemed to be reasonable.

Claims Adjusting

The company does have an adjusting committee consisting of at least three directors as required by s. 612.13 (4), Wis. Stat. The function of this committee is to adjust or supervise the adjustment of losses.

Accounts and Records

The examiners' review of the company's records indicated that the company is in compliance with s. Ins 13.05, Wis. Adm. Code, which sets forth the minimum standards for the handling of cash and recording of cash transactions by town mutual insurance companies. The examiners noted the following:

1. A proper policy register is maintained
2. A proper cash receipts journal is maintained
3. A proper cash disbursements journal is maintained
4. A proper general journal is maintained
5. A proper general ledger is maintained

An extensive review was made of income and disbursement items. Cash receipts were traced from source records and the proper recording and eventual deposit thereof ascertained. Negotiated checks issued during the period under examination were reviewed, test checked for proper endorsement, and traced to cash records. The verification of assets and determination of liabilities were made as of December 31, 2004.

The company is audited annually by an outside public accounting firm.

EDP Environment

Company personnel were interviewed with respect to the company's Electronic Data Processing environment. Access to the computers is limited to people authorized to use the computers. Company personnel back up the server daily and the back-up tape is kept off-site.

A manual which describes how to use the company's software and outlines the steps to complete specific tasks assists in the continuity of operations for seldom-used applications, training, or when staff turnover occurs. The company has manuals documenting the use of its software.

Business Continuity Plan

A business continuity plan identifies steps to be performed by a company in the event of business interruptions including, but not limited to, the inability to access its computer, the loss of information on its computer, the loss of a key employee, or the destruction of its office building. The company has developed a business continuity plan. The company's business continuity plan appears to be adequate.

Invested Assets

Section 610.23, Wis. Stat., requires insurers to hold all investments and deposits of its funds in its own name except that:

- (1) Securities kept under a custodial agreement or trust arrangement with a bank or banking and trust company may be issued in the name of a nominee of the bank or banking and trust company; and

- (2) Any insurer may acquire and hold securities in bearer form.

For securities not held under a custodial agreement or trust arrangement with a bank or banking and trust company, s. Ins 13.05 (4), Wis. Adm. Code, requires that:

Non-negotiable evidences of company investments such as registered bonds, certificates of deposits, notes, etc., shall be maintained in a safe or vault with adequate safety controls or in a safety deposit box in a bank. Negotiable evidences of company investments shall be maintained in a safety deposit box in a bank. Access to a company safety deposit box containing negotiable securities shall require the presence and signature of at least 2 officers, directors or employees of the company.

The company is in compliance with these requirements.

Investment Rule Compliance

The investment rule for town mutual insurers allows a company to invest in common stocks, common stock mutual funds, and other higher risk investments (referred to as "Type 2") provided that the town mutual has a sufficient amount of lower risk investments (referred to as "Type 1"). A town mutual may invest in Type 2 securities only if it already has sufficient Type 1 investments. Type 1 investments must equal or exceed the greater of items 1, 2, or 3.

1. Liabilities plus \$300,000	\$ 792,595
2. Liabilities plus 33% of gross premiums written	301,273
3. Liabilities plus 50% of net premiums written	<u>302,117</u>
4. Amount required (greater of 1, 2, or 3)	792,595
5. Amount of Type 1 investments as of 12/31/2004	<u>2,290,935</u>
6. Excess or (deficiency)	<u>\$1,498,340</u>

The company has sufficient Type 1 investments.

ASSETS

Cash and Invested Cash

\$180,902

The above asset is comprised of the following types of cash items:

Cash in company's office	\$ 100
Cash deposited in banks-checking accounts	762
Cash deposited in banks at interest	<u>180,040</u>
Total	<u>\$180,902</u>

Cash in company's office at year-end represents the company's petty cash fund. A physical count was made by the examiners during the course of the examination and the balance reconciled to year-end.

Cash deposited in banks subject to the company's check and withdrawal consists of one account. Verification of checking account balances was made by obtaining confirmations directly from the depository and reconciling the amounts shown thereon to company records.

Cash deposited in banks represents the aggregate of six deposits in five depositories. Deposits were verified by direct correspondence with the respective depositories and by an actual count and inspection of certificates and/or passbooks. Interest received during the year 2004 totaled \$3,794 and was verified to company cash records. Rates of interest earned on cash deposits ranged from 1.15% to 1.75%. Accrued interest on cash deposits totaled \$742 at year-end.

Book Value of Bonds

\$2,110,033

The above asset consists of the aggregate book value of bonds held by the company as of December 31, 2004. Bonds owned by the company are held by a trust company.

Bond purchases and sales for the period under examination were checked to brokers' invoices and advices. The company's investment in bonds was in conformance with Wisconsin Statutes and the rules of the Commissioner of Insurance as regards investments made by town mutual insurers.

Interest received during 2004 on bonds amounted to \$98,040 and was traced to cash receipts records. Accrued interest of \$28,816 at December 31, 2004, was checked and allowed as an asset.

Common Stocks**\$356,393**

The above asset consists of the aggregate market value of common stocks held by the company as of December 31, 2004. Stocks owned by the company are located with the company's custodian.

Stock certificates were physically examined by the examiners. Stock purchases and sales for the period under examination were checked to brokers' invoices and advices. The company's investment in stocks was in conformance with Wisconsin Statutes and the rules of the Commissioner of Insurance as regards investments made by town mutual insurers.

Dividends received during 2004 on stocks amounted to \$5,040 and were traced to cash receipts records.

Book Value of Real Estate**\$135,095**

The above amount represents the company's investment in real estate as of December 31, 2004. The company's real estate holdings consisted of a home office building and the land on which the building is situated.

The required documents supporting the validity of this asset were reviewed and were in order. Adequate hazard insurance was carried on the real estate and contents as noted under the caption, "Fidelity Bond and Other Insurance." The company's investment in real estate and related items was in conformance with the Wisconsin Statutes and the rules of the Commissioner of Insurance as regards investments made by town mutual insurers. Real estate depreciation is calculated using the straight-line method.

Premiums, Agents' Balances in Course of Collection**\$1,323**

This asset represents the amounts due from agents or policyholders which are not in excess of 90 days past due at year-end. A review of detailed premium records verified the accuracy of this asset.

Premiums Deferred and Not Yet Due**\$123,830**

This asset represents modal premium installments (such as monthly, quarterly, etc.) that are not yet due. A review of a sample from the company's detailed list of deferred premiums verified the accuracy of this asset.

Investment Income Accrued**\$29,558**

Interest due and accrued on the various assets of the company at December 31, 2004, consists of the following:

Cash on Deposit	\$ 742
Bonds	<u>28,816</u>
Total	<u>\$29,558</u>

Amounts were verified by recalculation.

Amounts Recoverable from Reinsurers**\$36,106**

The above asset represents recoveries due to the company from reinsurance on losses and loss adjusting expenses which were paid on or prior to December 31, 2004. A review of year-end accountings with the reinsurer verified the above asset.

Electronic Data Processing Equipment**\$5,437**

The above balance consists of computer hardware and operating system software, net of depreciation as of December 31, 2004. A review of receipts and other documentation verified the balance. Non-operating system software was properly nonadmitted.

Furniture and Fixtures**\$0**

This asset consists of \$4,397 of furniture and equipment owned by the company at December 31, 2004. In accordance with annual statement requirements, this amount has been reported as a nonadmitted asset, thus the balance shown above is \$0.

LIABILITIES AND SURPLUS

Net Unpaid Losses

\$17,060

This liability represents losses incurred on or prior to December 31, 2004, that remained unpaid as of that date. The examiners reviewed the reasonableness of this liability by totaling actual loss payments made subsequent to December 31, 2004, with incurred dates in 2004 and prior years. The examiners' development of unpaid losses is compared with the amount estimated by the company in the following schedule.

	Company Estimate	Examiners' Development	Difference
Incurred but unpaid losses	\$62,310	\$35,290	\$27,020
Less: Reinsurance recoverable on unpaid losses	<u>45,250</u>	<u>30,400</u>	<u>14,850</u>
Net Unpaid Losses	<u>\$17,060</u>	<u>\$ 4,890</u>	<u>\$12,170</u>

Surplus was not adjusted for the above difference of \$12,170 since it was not considered material for purposes of this examination.

The examiners' review of claim files included open claims, paid claims, claims closed without payment, and all claims which were denied during the examination period. The review indicated that claims are investigated and evaluated properly and that payments are made promptly and in accordance with policy provisions upon the submission of a proper proof of loss. In addition, the review of claims handling procedures and files revealed the following:

1. A proper loss register is maintained.
2. Claim files contained sufficient investigatory data and documentation to verify settlement payments or reserve estimates.
3. Proofs of loss were properly signed.

Commissions Payable

\$32,474

This liability represents the commissions payable to agents as of December 31, 2004. The examiners reviewed the company's commission calculation and subsequent commission payments and found the liability to be reasonably stated.

Fire Department Dues Payable

\$478

This liability represents the fire department dues payable to the State of Wisconsin as of December 31, 2004.

The examiners reviewed the company's fire department dues calculation and found this liability to be correctly calculated. The actual amount paid was verified to the cash disbursement records.

Unearned Premiums **\$394,952**

This liability represents the reserve established for unearned premiums in compliance with s. Ins 13.08 (3), Wis. Adm. Code. This reserve was established using a daily pro rata methodology.

Reinsurance Payable **\$22,997**

This liability consists of amounts due to the company's reinsurer at December 31, 2004, relating to transactions which occurred on or prior to that date. A review of year-end accountings with the reinsurer and subsequent payment verified the above amount.

Premiums Received in Advance **\$24,634**

This liability represents the total premiums received prior to year end for policies with effective dates after December 31, 2004. The examiners reviewed 2004 premium and cash receipt records to verify the accuracy of this liability.

V. CONCLUSION

The company has experienced growth since the last examination. Assets increased 10% and policyholders' surplus increased 4%. The company's gross premiums written increased 42%, while net premiums written have increased 40%. The increase in premiums written is due to a combination of rate increases and an increase in the policy count. The company's loss ratio has increased significantly over the past three years which has led to three consecutive years of underwriting losses. The company attributes the increased loss ratio to a few large homeowner claims due to fire and water damage. The company has been reevaluating its homeowner's market to prevent recurrence of the problems that have been identified over the past few years.

There was no adjustment made to surplus as a result of this examination. The company complied with all three of its prior examination recommendations. The current examination resulted in no adverse comments or recommendations.

VI. SUMMARY OF COMMENTS AND RECOMMENDATIONS

The examination resulted in no adverse comments or recommendations.

VII. ACKNOWLEDGMENT

The courteous cooperation extended to the examiners by the company's personnel is hereby acknowledged.

In addition to the undersigned, Karl Albert of the Office of the Commissioner of Insurance, State of Wisconsin, participated in the examination.

Respectfully submitted,

Rick Anderson
Examiner-in-Charge